

**HARRIS COUNTY
DEPARTMENT OF EDUCATION**

SINGLE AUDIT REPORT

**For Fiscal Year Ended
August 31, 2011**



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HARRIS COUNTY DEPARTMENT OF EDUCATION
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**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees
Harris County Department of Education
Houston, Texas

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Harris County Department of Education (the "Department") as of and for the year ended August 31, 2011, which collectively comprise the Department's basic financial statements and have issued our report thereon dated January 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Department is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Closing

This report is intended solely for the information and use of the board of trustees, management, others within the organization, the Texas Education Agency and other applicable federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Null-Lairson, PC

Houston, Texas
January 17, 2012

**Independent Auditors' Report on Compliance with the Requirements that
Could have a Direct and Material Effect on each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133**

To the Board of Trustees
Harris County Department of Education
Houston, Texas

Compliance

We have audited Harris County Department of Education's (the "Department") compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended August 31, 2011. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year end August 31, 2011.

Internal Control over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Department as of and for the year ended August 31, 2011 and have issued our report thereon dated January 17, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Closing

This report is intended solely for the information and use of the board of trustees, management, others within the organization, the Texas Education Agency and other applicable federal awarding agencies and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.



Houston, Texas
January 17, 2012

HARRIS COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2011

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) 2-7 of OMB Circular A-133?	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Numbers
Adult Education – Basic Grant to States	84.002A
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596
Head Start Cluster	
Head Start	93.600
ARRA – Head Start	93.708
Medical Assistance Program	93.778
AmeriCorps	94.006
1. Dollar Threshold Considered Between Type A and Type B Federal Programs	\$904,404
2. Auditee qualified as low-risk auditee?	Yes

HARRIS COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2011

II. Financial Statement Findings

None Noted

III. Federal Awards Findings and Questioned Costs

None Noted

IV. Status of Prior Year Findings

There were no prior year findings.

**HARRIS COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011**

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures and Indirect Costs
<u>U. S. Department of Agriculture</u>			
Passed Through Texas Health & Human Services Commission:			
<i>Child and Adult Care Food Program</i>	10.558	TX-1010326	\$ 600,841
Total U. S. Department of Agriculture			600,841
<u>National Aeronautics and Space Administration</u>			
<i>NASA K-12 Cooperative</i>	43.AAA	NNX10AV04A	354,785
Total National Aeronautics and Space Administration			354,785
<u>U. S. Department of Education</u>			
Passed Through Texas Education Agency:			
<i>Adult Education Basic Grants to States - Regular</i>	84.002A	114100017110384	2,992,140
<i>Adult Education Basic Grants to States - Regular</i>	84.002A	124100017110404	348,372
<i>Adult Education Basic Grants to States - English Literacy & Civics Education</i>	84.002A	114100087110404	123,672
<i>Adult Education Basic Grants to States - English Literacy & Civics Education</i>	84.002A	124100087110434	3,185
<i>Adult Education Basic Grants to States - State Adult Education Administration</i>	84.002A	41001198	1,634,900
<i>Adult Education Basic Grants to States - Program Improvement</i>	84.002A	41001110	352,817
Total CFDA Number 84.002A			5,455,086
<i>Adult Education Basic Grants to States - Even Start Program Improvement</i>	84.213C	61201110	167,148
<i>21st Century Community Learning Centers</i>	84.287C	106950137110031	1,590,446
<i>21st Century Community Learning Centers</i>	84.287C	126950177110032	9,881
<i>21st Century Community Learning Centers</i>	84.287C	106950117110019	453,627
<i>21st Century Community Learning Centers</i>	84.287C	106950117110020	425,232
<i>21st Century Community Learning Centers</i>	84.287C	106950127110014	2,233,843
<i>21st Century Community Learning Centers</i>	84.287C	116950127110014	11,431
<i>21st Century Community Learning Centers</i>	84.287C	116950167110009	10,188
Total CFDA Number 84.287C			4,734,648
Passed Through Department of Assistive and Rehabilitative Services:			
<i>Special Education - Grants to States (IDEA, Part B)</i>	84.027	53802C7026	398,692
<i>Special Education - Grants for Infants and Families *</i>	84.181	53802C7026	1,701,819
<i>Special Education - Grants for Infants and Families, ARRA *</i>	84.393	53802C7026	52,676
Total Passed Through Department of Assistive and Rehabilitative Services			2,153,187
Total U.S. Department of Education			12,510,069
U.S. Department of Health and Human Services			
Passed Through Texas Workforce Commission:			
<i>Temporary Assistance for Needy Families</i>	93.558	113625017110361	126,593
<i>Temporary Assistance for Needy Families</i>	93.558	2811MFS000	20,748
Total CFDA Number 93.558			147,341
<i>Child Care Mandatory and Matching Funds of the Child Care and Development Fund</i>	93.596	06260C24FY10	444,223
<i>Child Care Mandatory and Matching Funds of the Child Care and Development Fund</i>	93.596	06260C24FY11	1,069,732
Total CFDA Number 93.596			\$ 1,513,955

HARRIS COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED AUGUST 31, 2011

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures and Indirect Costs
U.S. Department of Health and Human Services (continued)			
Passed Through Department of Assistive and Rehabilitative Services:			
<i>Temporary Assistance for Needy Families</i>	93.558	53802C7026	\$ 438,562
<i>Medical Assistance Program **</i>	93.778	53802C7026	2,068,125
<i>Medical Assistance Program, ARRA **</i>	93.778	53802C7026	259,436
Total Passed Through Department of Assistive and Rehabilitative Services			<u>2,766,123</u>
 <i>Head Start ***</i>	 93.600	 06CH6998/13	 3,572,873
<i>Head Start ***</i>	93.600	06CH6998/14	7,278,224
<i>Head Start Innovation and Improvements ***</i>	93.600	90YD0248/02	60,238
<i>Head Start Innovation and Improvements ***</i>	93.600	90YD0248/03	237,734
Total CFDA Number 93.600			<u>11,149,069</u>
<i>Head Start, ARRA ***</i>	93.708	06SE66998/01	32,230
<i>Head Start, ARRA ***</i>	93.708	06SH66998/01	65,107
<i>Head Start, ARRA ***</i>	93.708	06SH66998/02	566,317
Total CFDA Number 93.708			<u>663,654</u>
 Total U.S. Department of Health and Human Services			 <u>16,240,142</u>
 Corporation for National and Community Services			
Passed Through OneStar Commission:			
<i>AmeriCorps</i>	94.006	10AC119129	361,791
<i>AmeriCorps</i>	94.006	11AC127158	6,859
Total CFDA Number 94.006			<u>368,650</u>
 U.S. Department of Homeland Security			
Passed Through Governor's Division of Emergency Management:			
<i>Citizenship Education and Training</i>	97.010	2010-CS-010-000025	72,018
Passed Through Texas Governor's Office of Criminal Justice Division:			
<i>Disaster Grants - Public Assistance</i>	97.036	FIP 20-06517-00	308
Total U.S. Department of Homeland Security			<u>72,326</u>
 Total Expenditures of Federal Awards			 <u><u>\$ 30,146,813</u></u>

* Early Intervention Services (IDEA) Cluster
** Medicaid Cluster
*** Head Start Cluster

HARRIS COUNTY DEPARTMENT OF EDUCATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Accounting

The Department accounts for all awards under federal programs in the General Fund and certain Special Revenue Funds in accordance with the Texas Education Agency’s *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenues until earned. Generally unused balances are returned to the grantor at the close of specified project periods.

Note 2 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Department under programs of the federal government for the year ended August 31, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Department.

Note 3 - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards and federal revenues on Exhibit B-3 of the Department’s Comprehensive Annual Financial Report:

Total Expenditures of Federal Awards	<u>\$ 30,146,813</u>
Federal Program Revenues per Exhibit B-3	<u>\$ 30,146,813</u>

Note 4 - State Financial Assistance for Early Childhood Intervention Services

In addition to the federal funds expended for early childhood intervention, the Department’s state financial assistance related to early childhood intervention for the fiscal year ended August 31, 2011 is as follows:

<u>Project Number</u>	<u>Amount</u>
53802C7026	\$ 1,332,954

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